

FROM THE ACQUISITION REFORM OFFICE . . .

Savings Expected From Small-Caliber Ammo Contract

The Operations Support Command (OSC), located at Rock Island, IL, recently awarded a 10-year production contract for small-caliber ammunition. It is expected to save the government about \$700 million in comparison with similar earlier contracts. The award process took half the time and consumed half the resources of previous acquisitions.

An integrated product team was used in the development and evaluation of the proposal. Team members were functional experts from OSC, the Services, and higher headquarters. The terms and conditions of the solicitation were developed under the Alpha contracting process through discussions between the government and the interested offerors. All related scopes of work were performance-oriented. Military specifications and standards were reduced by approximately 60 percent from the previous acquisitions and replaced with commercial or performance standards. Further, electronic contracting greatly reduced processing time.

A firm-fixed-price contract was awarded on the basis of best value. Price, past performance, and technical expertise were evaluated about equally. There were 45 different (but similar) items included in the acquisition. By combining these items, the contractor achieved economies of scale, which were passed on to the government. Prices were provided for each item for the entire range of expected quantities from the minimum through the maximum expected each year.

Offerors were allowed to use government facilities for manufacture. The successful offeror chose to use a government facility because it had the capability and capacity to manufacture most of the items at one location. Direct Vendor Delivery saved money because shipments were sent directly to the customer, rather than to a storage facility, whenever possible.

THAAD Award-Fee Contract Emphasizes Successful Flight Tests

The Theater High Altitude Area Defense (THAAD) Engineering and Manufacturing Development (EMD) contract valued at \$3.8 billion was awarded to Lockheed Martin Space Systems Co., Missile and Space Operations, Sunnyvale, CA, on June 28, 2000. The THAAD EMD contract is an award-fee type contract. The functional performance areas are technical, management, and cost and schedule.

Emphasis was placed on the importance of successful flight tests occurring on schedule and within cost. The contract includes an award fee pool with special incentives for successful flight test intercepts for the first two flight attempts at White Sands Missile Range (WSMR) and Kwajalein Missile Range (KMR). If Lockheed Martin achieves a successful intercept within the first two attempts at WSMR, the company will receive a \$25 million award fee.

However, if it is unsuccessful after the first attempt, Lockheed will share \$15 million of the incurred EMD contract cost. If Lockheed Martin achieves a successful intercept within the first two attempts at KMR, it will receive a \$25 million award fee. However, if it is unsuccessful after the first attempt, Lockheed will share \$20 million of the contract cost. The clause identifies technical parameters that must be met during each of the first two flight tests at both ranges.

Use of the Alpha contracting process for developing the scope of work and the integrated master plan (IMP) and integrated master schedule (IMS), as well as for proposal preparation and evaluation, provided the government with a best-value contract. The IMP provides the process narratives, events, and criteria for the EMD Program. The IMS provides the detail tasks and schedule for implementing the IMP. Both the IMP and the IMS were developed during the Alpha contracting process, substantially reducing the normal negotiation time and promoting a better understanding of the EMD requirements and the contractor-proposed approach to meeting these requirements.

Standard Procurement System Adds Value At U.S. Army Space Command

The U.S. Army Space Command (ARSPACE), Colorado Springs, CO, uses the Standard Procurement System/Procurement Desktop Defense (SPS/PD2) system throughout its acquisition process, from the requirements process through distribution of contractual documents. Using this one system for many acquisition functions standardizes the process within ARSPACE and ensures a seamless acquisition environment. This process also brings several functional areas together during daily operations.

Each functional area office within ARSPACE now uses the requirements portion of SPS/PD2, Aquiline, to input purchase requirements. This eliminates the need for written forms and alleviates any translation issues arising when another office completes purchase request forms.

Resource Management (RM) personnel fund the electronic purchase requests after all requirements are input and enter the accounting citation in SPS/PD2. This reduces errors in the accounting cycle. Previously, RM personnel funded requirements on a hard-copy purchase request, transmitted the request to contracting personnel who would manually put the citation into SPS/PD2. This resulted in errors because contracting personnel are generally unfamiliar with various fund citations.

Once funded, the purchase request is sent to contracting personnel to acquire the requested item. Distribution of the resulting contractual document is now made via e-mail as a Microsoft Word attachment. Electronic distribution is efficient, inexpensive, and allows the contractor to further distribute the document in a timely manner to all involved. Subcontractors, suppliers, and all other parties are able to get the contract instantly without the cost for postage and administrative personnel to make the distribution. This distribution enables contracting personnel to attach other documents such as task orders and statements of work to the contract.

ARSPACE contracting personnel have found that command-wide use of SPS/PD2 gives each functional area a better understanding of what the other does and brings them together working toward a common goal. As a result, the command has benefited by saving time and money and having a more accurate contract with instantaneous distribution to the customer.